R4105-6

The Conference Board

Volume 13, Number 6 June 1991

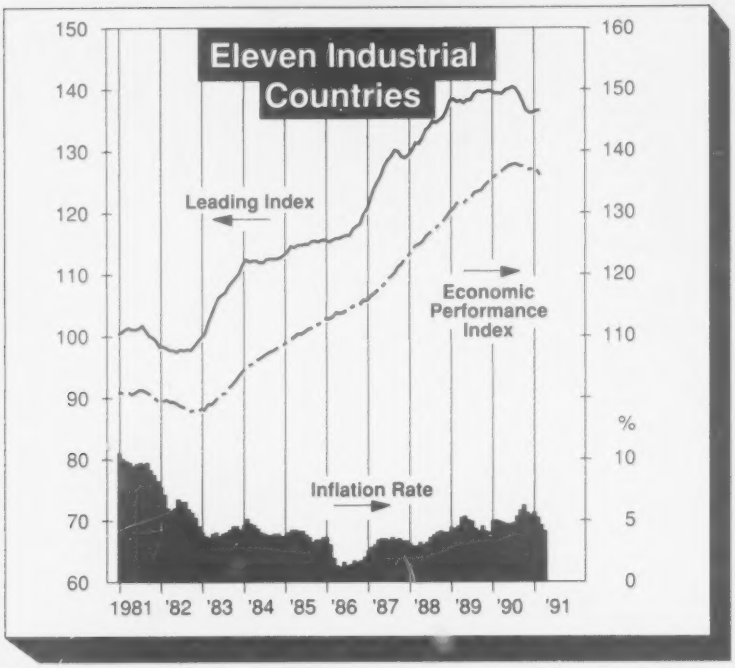
International Economic Scoreboard

INSIDE:

- **Hint of Turnaround in Global Leading Index**
- **Germany — Continued Strong Growth**
  France — Improved Outlook
- **Inflation — Slowing Steadily**

Serving Business and Society for 75 Years

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	2	0	-2	-1	-4	-2	Expansion stopped, leaders weak	Mar.
Ten countries (U.S. excl.)	3	4	3	2	-1	-3	-1	Expansion continuing, leaders weak	Mar.
North America (2)	3	-1	-5	-8	-1	-5	-4	Recession continuing, leaders weak	Mar.
Europe (4)	2	5	3	2	1	0	3	Expansion continuing, leaders weak	Mar.
Pacific Region (5)	4	5	4	3	-2	-6	-6	Expansion continuing, leaders weak	Mar.
United States	3	-2	-6	-7	-3	-5	-1	Recession continuing, leaders weak	Apr.
Canada	3	-1	-4	-8	-3	-6	-2	Recession continuing, leaders weak	Mar.
West Germany	2	6	7	2	4	4	4	Expansion continuing	Apr./May.
France	2	6	4	2	0	-1	7	Expansion continuing	Mar./Apr.
United Kingdom	2	1	-3	-2	-1	-4	0	Recession continuing, leaders weak	Mar./Apr.
Italy	2	1	4	5	-4	-3	7	Expansion continuing	Jan./Mar.
Japan	4	6	7	6	-6	-8	-9	Expansion continuing, leaders weak	Apr.
Korea, R.O.K.	7	4	10	12	-2	5	4	Expansion continuing	Apr.
Australia	3	-7	-4	-14	-5	-4	0	Recession continuing, leaders weak	Apr.
New Zealand	2	-1	-2	-5	-4	-6	-4	Recession continuing, leaders weak	Mar.
Taiwan, R.O.C.	8	2	4	4	-5	2	8	Expansion resumed	Apr.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

The Conference Board, 845 Third Avenue, New York, New York, 10022
The Conference Board Europe, Avenue Louise, 207 - Bte 5, B-1050 Brussels, Belgium
The Conference Board of Canada, 255 Smyth Road, Ottawa, Ontario, KIH-8M7

Copyright © 1991 by The Conference Board, Inc.

Overview

First Signs of Recovery

With just one or two exceptions, the cyclical indexes look very much the same as last month. The overall picture remains one of global recession, with the 11-country performance index still declining. The worldwide leading index, however, although it remains at a low level, has moved fractionally higher for two months now, the first signs that a recovery is in the offing.

The country by country picture is also little changed. The five countries in recession — Australia, Canada, the U.S., the U.K. and New Zealand — remain there. Although in each case the leading indexes are hinting at a turnaround (in the United States, partial data for May reinforce that hint.)

The leading index for Japan, on the other hand, continues to look pretty sour. The most encouraging data are found on continental Europe (as discussed on page 4).

The global inflation data show further improvement. The 11-country inflation rate has fallen fairly steadily from a recent year peak of 6.2 percent last October to 4.1 percent as of April.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	6.2	5.6	4.1	Falling	Apr.
Ten countries (U.S. excl.)	5.2	5.7	5.5	4.2	Falling	Apr.
North America (2)	5.6	6.7	6.2	4.2	Falling	Apr.
Europe (4)	6.6	6.5	4.8	4.2	Falling	Apr.
Pacific Region (5)	3.4	4.9	5.6	3.6	Falling	Apr.
United States	5.5	6.3	5.4	3.8	Falling	May
Canada	6.5	5.1	9.4	6.7	Volatile	Apr.
West Germany	2.9	3.1	2.7	2.8	Steady	May
France	7.3	4.5	3.6	2.8	Falling	Apr.
United Kingdom	7.3	11.1	6.5	5.0	Falling	Apr.
Italy	11.2	6.8	7.1	6.4	Falling	May
Japan	2.5	4.3	5.5	3.2	Falling	Apr.
Korea, R.O.K.	8.1	9.2	10.3	10.2	High and Volatile	Apr.
Australia	8.4	5.1	7.1	3.9	Falling	Feb.
New Zealand	11.8	5.4	4.6	3.3	Falling	Feb.
Taiwan, R.O.C.	4.4	4.5	3.5	2.5	Falling	Apr.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

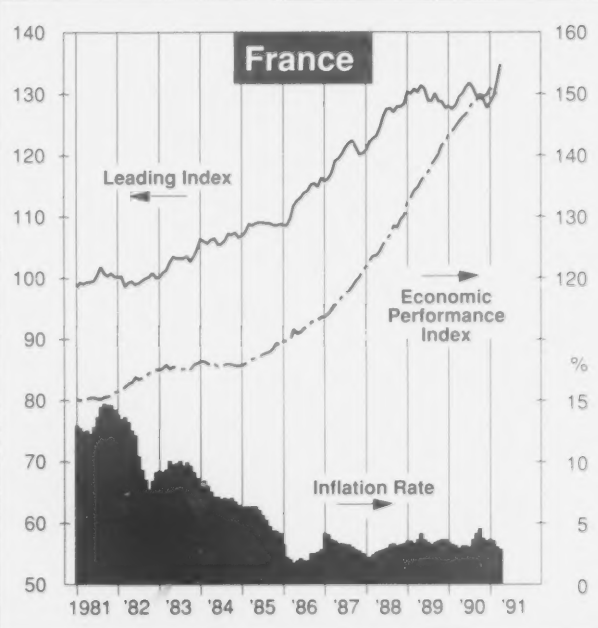
Countries

Persistent Cyclical Expansion

In sharp contrast to the recession or near recession in North America and the Pacific Region, the economic expansion in Germany sails on. (This dichotomy is out of tune with the historical pattern. See page 5.)

The German leading index is growing at a sturdy 4 percent rate, the same speed at which it was climbing three months ago, and six months ago — indeed, the same pace of advance as April 1990. All year, then, the early moving series have been unspectacular but steady in pointing toward further gains for the German economy. Although reunification of the country has both pluses and minuses for the business cycle, it is difficult to believe the net effect hasn't been helpful in keeping the expansionary momentum intact.

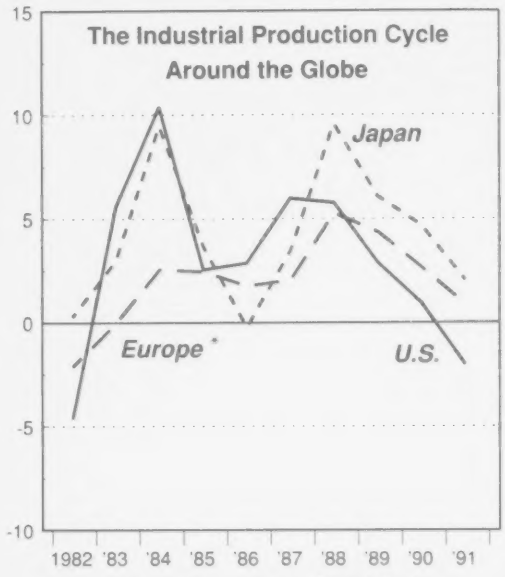
Despite the inflationary pressures exerted by the consistent advance of the business cycle, the German price index remains under good control. At the latest reading, the 2.8-percent inflation rate is (along with the French rate) as low as any of the 11-countries in the report other than Taiwan (which is at 2.5 percent).



Much Improved Indexes

Suddenly French business cycle prospects look a lot stronger. For almost two years, although the performance index continued to climb steadily, the French leading index traced a very erratic but essentially flat pattern, raising persistent doubts that the expansion could continue apace. Since January, however, the index has surged upward and now shows an impressive 7-percent growth rate.

The story on prices is equally encouraging. The inflation rate has fallen from 4.5 percent last October, to 3.6 percent as of January, to a very moderate 2.8 percent as of April.



* West Germany, France, Italy, and United Kingdom.

All Marching to the Same Drummer?

One persistent question about International Economics is the extent to which the major industrial countries trace the same economic cycle. Do their recessions and booms all march to the beat of a single world drummer? Or does each regional economy follow a separate and distinct cyclical pattern of its own?

According to the chart, which depicts year-to-year growth rates in industrial production, the answer for the past ten years is a little bit of both but mostly it's a single global cycle. In particular, the U.S. and Japan have followed a similar pattern. Japanese production experienced a sharper slowdown at mid-decade than did the U.S., and the opposite took place in the most recent three years, but by and large the two growth rates moved in tandem. The European experience differed somewhat, notably because its production growth was much more subdued in the early 1980s, but otherwise its pattern is quite similar to that of the other two regions.

In sum, then, the industrial world does not have just a single business cycle that is followed in lock step by every economy. Nevertheless, production growth in the three major regions has traced a fairly similar pattern of ups and downs over the past decade.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information: David Chon, Editor

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1989-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	89	133	139	137	139	128	139	126	124	155	166
Nov.	89	134	139	138	139	128	138	127	124	156	166
Dec.	89	135	140	139	140	129	138	128	124	157	168
Jan.	90	135	140	140	140	128	138	129	124	158	167
Feb.	90	136	139	140	140	129	137	130	124	159	168
Mar.	90	136	139	141	140	129	137	130	124	160	167
Apr.	90	136	139	142	140	129	137	130	125	162	167
May	90	137	140	142	140	129	138	131	125	162	168
June	90	138	140	143	140	130	138	131	125	163	168
July	90	138	140	144	141	129	138	132	126	164	168
Aug.	90	138	140	144	140	129	138	132	126	164	167
Sept.	90	137	139	144	139	128	137	133	125	164	165
Oct.	90	137	138	144	138	127	136	133	125	164	162
Nov.	90	137	136	144	137	126	134	133	125	165	161
Dec.	90	137	136	145	137	125	133	133	124	166	160
Jan.	91	137	136	146	137	124	133	134	126	168	159
Feb.	91	137	136	146	137	123	134	134	126	168	159
Mar.	91	136	136	145	138	122	133	134	127	166	158

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
	4	2	6	3	1	1	6	0	6	7
	4	2	6	3	1	0	6	0	7	6
	4	2	6	3	1	0	6	0	7	6
	4	1	6	2	0	0	6	1	7	5
	4	1	6	3	1	-2	7	1	7	6
	4	1	6	2	1	-1	6	0	7	4
	4	0	6	2	1	-2	6	1	8	3
	4	1	6	2	1	-1	6	1	7	3
	4	1	6	2	2	0	5	2	7	2
	4	1	6	2	1	0	5	2	7	2
	3	1	5	1	0	0	5	2	6	0
	2	-1	4	-1	-1	-1	5	1	5	-2
	2	-2	4	-2	-2	-3	4	1	4	-5
	1	-4	3	-3	-4	-5	4	0	4	-6
	0	-4	3	-3	-5	-5	3	0	4	-6
	0	-4	4	-3	-6	-5	4	1	6	-7
	0	-3	3	-2	-7	-4	3	1	5	-7
	-2	-2	2	-1	-8	-4	2	3	3	-6
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1989-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	90	128	139	135	122	124	130	143	128	127	118	117	118	156	168	228	221	151	127	111	119	194	236
Feb.	90	128	138	135	122	125	130	144	127	128	118	118	116	156	169	232	231	150	126	111	118	194	246
Mar.	90	129	139	135	122	126	130	144	128	128	118	118	117	158	168	236	228	149	126	112	117	194	241
Apr.	90	128	138	135	120	125	130	145	129	128	118	119	117	159	168	236	225	150	125	112	116	192	239
May	90	129	139	135	120	127	130	146	130	129	117	118	117	160	169	234	227	149	125	113	117	194	238
June	90	129	140	135	121	127	130	146	131	129	117	118	116	161	169	235	225	149	124	111	116	192	235
July	90	129	140	135	121	128	132	148	132	129	117	118	117	162	169	237	226	147	124	111	116	192	234
Aug.	90	128	140	134	121	129	132	148	131	128	116	119	116	163	168	238	226	146	123	111	115	192	232
Sept.	90	128	139	134	120	129	132	149	130	128	117	120	114	162	166	238	234	144	123	110	115	193	230
Oct.	90	127	137	133	120	130	133	150	129	128	116	120	115	163	163	237	223	143	122	112	115	195	229
Nov.	90	126	135	132	118	130	133	149	129	127	116	120	114	164	160	237	233	142	123	112	114	195	236
Dec.	90	125	135	131	117	130	134	150	128	126	115	121	114	165	160	242	232	142	122	110	113	194	235
Jan.	91	124	134	129	117	133	134	151	128	126	115	122	120	167	159	248	234	143	121	110	114	197	239
Feb.	91	123	135	128	118	133	134	150	130	126	115		120	167	158	249	232	141	122	110	112	201	239
Mar.	91	122	134	127	118	133	134	150	132	126	116		121	166	157	248	232	137	121	108	113	199	243
Apr.	91	122	136			131			135		116			168	156	255	234	133	122			199	246
		Growth Rates, Percent																					
Jan.	90	0	0	2	-3	7	5	8	-3	4	0	5	1	7	6	10	1	6	-4	2	2	4	8
Feb.	90	1	-2	2	-3	8	5	8	-3	4	0	5	-1	7	6	11	10	3	-5	2	0	3	14
Mar.	90	1	-1	2	-3	8	4	8	-2	4	-1	5	-1	8	5	13	6	2	-6	3	-1	2	8
Apr.	90	0	-2	2	-5	6	3	8	1	4	0	5	-1	9	4	12	3	2	-6	3	-2	0	5
May	90	1	0	1	-5	8	3	7	2	4	-1	4	0	8	4	8	4	0	-5	5	-2	1	3
June	90	2	0	1	-4	6	3	7	3	4	-1	3	-2	8	3	8	2	0	-6	2	-3	0	0
July	90	1	0	1	-4	8	4	7	4	2	-1	1	-1	8	3	8	2	-2	-6	2	-3	-1	-1
Aug.	90	0	0	0	-3	8	4	7	3	1	-2	3	-1	8	1	8	2	-5	-5	0	-4	-1	-3
Sept.	90	-1	-1	-1	-3	6	4	6	0	1	-1	3	-4	6	-2	6	8	-6	-5	-1	-4	0	-5
Oct.	90	-2	-3	-2	-4	6	4	6	0	0	-1	4	-2	6	-6	4	-2	-7	-5	1	-4	2	-5
Nov.	90	-4	-5	-4	-5	6	3	5	0	-2	-3	3	-3	6	-8	3	6	-8	-3	2	-4	1	0
Dec.	90	-5	-5	-4	-6	5	4	4	-2	-3	-3	4	-3	6	-7	6	4	-6	-4	-2	-6	0	0
Jan.	91	-6	-5	-7	-5	8	4	5	-1	-3	-4	5	6	7	-8	10	5	-4	-4	-3	-4	4	2
Feb.	91	-7	-4	-7	-2	7	3	3	0	-3	-3		5	6	-8	9	2	-6	-2	-2	-5	7	2
Mar.	91	-8	-4	-8	-2	6	4	2	3	-2	-1		7	4	-8	7	3	-10	-3	-5	-4	4	6
Apr.	91	-7	-1			2			7		0			6	-9	12	4	-14	0			4	8
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8